RISK MANAGEMENT POLICY

OF

CYBELE INDUSTRIES LIMITED

1) Introduction

Cybele Industries Limited is manufacturing of wires and cables for the past 35 years for Railway Signaling, Housing Cables. The Industry isexposed to a plethora of risks from strategic,regulatory,alliance, operational and financialperspectives. The Company is committed to fostering an environment that enables proactiveidentification, management, monitoring and reporting of various risks that the Company mayneed to deal with. To minimize the adverse consequence of risks on business objectives, theCompany has framed this Risk Management Policy (RMP). The RMP provides a route map forriskmanagement,bringingtogetherpolicyandguidancefromBoardofDirectors.

2) RegulatoryContext

RequirementasperSEBI(ListingObligationsandDisclosureRequirements)Regulations,2015("ListingRegulations"):

Listing Regulations notified on July 08, 2016 read with SEBI notification dated May 05,2021effective from May 06, 2021, as amended from time to time, requires top one thousand listedentities based on market capitalization (calculated as on March 31 of every financial year) toconstitutea Risk ManagementCommittee.The Companyranks 719 basedon the marketcapitalizationas onMarch31,2021.

Regulation17(9) oftheListing Regulationsrequires the Company to laydown proceduresaboutriskassessmentandriskminimization.

Regulation21oftheListingRegulationsrequiresthe Risk Management Committee toformulatedetailedriskmanagementpolicywhichshallinclude:

1. A framework for identification of internal and external risks specifically faced by the listedentity,inparticularincluding financial, operational, sectoral, sustainability (particularly,ESGrelatedrisks),information,cybersecurityrisksorany other risk as may bedeterminedbytheCommittee.

2. Measuresforriskmitigationincludingsystemsandprocessesforinternal control ofidentifiedrisks.

3. Businesscontinuityplan.

RequirementasperCompaniesAct,2013('theAct'):

Responsibilityofthe Board:AsperSection134(3)oftheAct,requiresthe Board ofDirectors of a Company, as part of the Board's Report, to furnish a statement indicatingdevelopment and implementation of a risk management policy for the Company includingidentificationthereinofelementsofrisk,ifany,whichintheopinionoftheBoardmaythreaten the existenceoftheCompany.

ResponsibilityoftheAuditCommittee:AsperSection177(4) of the Act, every AuditCommittee shall act in accordance with the terms of reference specified in writing by the Boardwhich shall, inter alia, include evaluation of internal financial controls and risk managementsystems.

Responsibilityof theIndependentDirectors:AsperScheduleIVoftheAct[Section149(8)] - CodeforIndependentDirectors,theindependentdirectorsshall (i)helpin bringinganindependent judgment to bear on the Board's deliberations especially on issues of strategy,performance, risk management, resources,key appointments and standards of conduct; (2)satisfy themselves on the integrity of financial information and that financial controls and thesystemsofriskmanagementarerobustanddefensible.

3) <u>Objective of CIL's RMP</u>

Theobjectofthispolicyistoprovideaframeworkto:

a) To ensure sustainable business growth with stability in accordance with the budgets /plansapprovedbytheBoard
b) To promote proactive approach in measuring, evaluating, reporting and resolving risksassociatedwiththeCompany'sbusiness.
c) To establish a framework for identification of internal and external risks specifically facedby thelistedentity,in particularincludingfinancial,operational,sectoral,sustainability(particularly, ESG relatedrisks),information, cyber security risks or any other risk as maybedeterminedbytheCommittee.
d) To put in placeriskmitigationincludingsystemsandprocessesfor internalcontrol ofidentifiedrisks.
e) ToguideintheformulationofBusinesscontinuityplan.

4) <u>Applicability of CIL s RMP</u>

Thispolicyisapplicableacrossallitsplantsandofficesatvariouslocations.

5) RiskManagementOrganizationStructure

Risk Management Organization structure identifies key internal stakeholdersresponsible forcreating, implementing and sustaining the risk management initiative in the Company. TheRisk ManagementOrganizationstructureleveragesexistingorganizational structurein theGroup.

6) RiskManagementCommitteeCompositionanditsmeetings

The Risk Management Committee shall consist of minimum three members with majority ofthem being members of the Board of Directors, including at least one Independent Director.The Chairpersonof the Risk managementCommitteeshall be a memberof the BoardofDirectors.TheCompanySecretaryoftheCompanyshallactastheSecretary to theCommittee.

The Risk Management Committee shall meet at least two times in a year and not more than180 days shall elapse between two consecutive meetings. The Quorum for the meeting of theCommitteeshallbeaminimumoftwomembersorone-thirdof the Members of theCommittee,whicheverishigher,includingatleastonememberof theBoard.

7) Rolesofkeystakeholders

Theroles and responsibilities of key stakeholders defined in the Risk Management functionaresummarizedbelow:

Stakeholder	Rolesandresponsibilities
BoardofDirectors	• Reviewingandapprovingriskmanagementrelatedpolicies,procedures and parameters that govern the management of theCompany; • Reviewingthecriticalaspectsofthe Company's overall riskprofilethroughtheperiodicreviewofhigh-levelreports thataddressmaterialrisksandstrategicimplications;and • Endorsing the risk management structure and authorizing rolesandresponsibilitiesforkeystakeholders.
Risk Management Committee	• TorecommendtheriskmanagementpolicytotheBoardforits approval • Ensuringriskidentification andassessmentin the operation oftheCompany'sbusiness; Identifyingandimplementingrisktreatmentplansandmeasuresforresidualrisks; • Recommendchangesonriskparameters,asandwhenrequired,forapprovaloftheBoard.

AllFunctionalHeadsan d Senior Executives(RiskOwne rs)	• Developingandassumingownershipoftheriskmanagementpolicy,fra meworkandprocess.Implementingthe framework,policyandprocessacrosstheCompany,all plantsandotherCorporateServices; • Establishing procedures and timelines for various riskmanagementactivities; • Facilitating risk identification, evaluation, prioritizationandconsolidation; • Providinginputandfeedbackonproposedrisktreatmentplansandinitiat ives; • Monitoringprogressofimplementationofrisktreatment plansandstrategies; • Ensuringthatriskreviewsarecarriedoutonaperiodicbasisinordertomai ntaincontinuityof theriskmanagementprocess; • Preparingandcommunicatingriskreportswithriskmitigationmeasures torelevantstakeholders. • Promotingriskmanagementculturethroughtrainings,reportingandoth erinternalcommunications; • Developingtheanalyticalsystemsanddatamanagementcapabilitiesto supporttheriskmanagementprogram; • Monitoring external trends and factors that may have significantimpact on the risk profile of the Group and communicatingtheinformationtoallstakeholderswithintheGroup; • Timely escalation of challenges, concernsorunforeseendevelopmentspertainingtotherisk.

8) RiskManagementFramework

Risk managementis a continuous process that is followed throughout the life of a Company. Itis anorganizedmethodologyfor continuouslyidentifyingandmeasuringthevariations indifferent business and financial parameters; developing options and strategies for managingsuchvariations;selecting,and implementingappropriaterisk managementstrategies;andtracking the implementation to ensure that targeted outcomes of all business parameters arewithin an acceptable range or there are sufficient options to take recourse to (e.g. insuranceclaims, hedging, maintaining cash buffers, etc.) for managing out of range variations. Effectiveriskmanagementdependsonsoundplanning;earlyidentificationandanalysesof risks;continuousmonitoringandassessment;timelyimplementationofcorrecti veactions;andappropri atecommunication,documentation,anddisclosures.

Aframeworkforidentificationofinternalandexternalrisksfaced by the Company, inparticular, financial, operational, business, strategic, sectoral, sustainability (particularly, ESGrelated risks), information, cyber security risks or any other risk as may be determined by theCommitteeshallbeprepared.

<u>RiskManagementProcessinvolves</u>

(i) <u>Riskidentification</u>

Thisinvolvescontinuousidentification of eventsthat may havenegativeimpactontheCompany'sability to achievegoals. Risk identification is an ongoingactivity.It shall beperformedby eachemployeeduringthecourse of his work. Riskidentification involvesidentifyingpotential sources/ root cause of risk events. The purpose of identifying potentialroot causesis to give direction to risk interventionmeasures. The fact that one risk mighthavemultiplerootcausesalsoneedsto beconsidered.

A. Therisksareidentifiedandformallyreportedthroughmechanismssuchasoperationreviewsand committeemeetings.

- Externalrisksfactors:

  > EconomicEnvironment
  > PoliticalEnvironment
  > Competition
  > Fluctuationsintradingactivities
  > Changesininterestrates
  > Changesin Governmentpolicies
  > Broadmarkettrendsandotherfactorsbeyondthe Company'scontrolsignificantly reducing demand for its services and harming its business, financialconditionandresultsofoperations.
  » CustomersnotagreeingtoabsorbRMpricehikesasactuallyincurredbyWIL
  » Inabilitytoanticipatedemandslump(e.g.inCVcycle).
  »Not havingsufficientorders to recoverfixedcosts(tools, dies,moulds, designcosts,etc.)
  » Currencyfluctuation
  » Disruptioninsupplychain(lackof containers,portcongestion,etc.)

B. Internalcontrolisexercisedthroughpoliciesandsystemstoensuretimelyavailabilityofinformationthatfacilitatespro-activeriskmanagement.

- Internalrisksfactors:

  » Costover-runinprojects
  » Changesinrevenue
  » ContractualCompliance
  > OperationalEfficiency
  > Hurdlesinoptimumuseofresources

QualityAssurance
» EnvironmentalManagement
> HumanResourceManagement
> Cultureandvalues

Sectoral risk • The Sectoral risk refers to the influence of industry variables such as demand-supply outlook, input risk, input cost fluctuation, competition, utilization levels along with theimpactofgovernmentregulationsandpoliciesontheCompany.

Strategic risk • It refers to the internal and the external events that it may make it dificult orimpossibleforan organizationtoachievetheir objectivesand strategicgoals.It includestechnologicalchanges,seniormanagementturnover,achangingcompetitivelandscape,Regulatorychanges,changesinconsumerdemand,mergerintegrationandESGrisk.

Business risk • It is the possibilitiesa Companywill have lower than anticipatedprofits orexperiencea loss rather than taking a profit. Business risk is influenced by numerous factorslikeincludingsalesvolume,perunitprice,input cost,competition,theoveralleconomicclimate&governmentregulationsandnaturalcalamity.

Operational risk - This refers to risks that arise from employee errors, failed internalprocedures ofthecompany,andcyber-securityerrors.ExamplesoftheserisksincludeManufacturing defects, labor unrest, injuries/ accidents at work place, and break-downofplant&equipment.

Financial risk • The financial risks relate to adequate liquidity for routine operations andavailabilityoffundsforexpansions,impactofcurrencyfluctuations, change in creditratings,etc.ItalsoincludestherisksassociatedwiththeinvestmentsoftheCompany.

ForeignExchangerisk

- Foreign exchange risk refers to the losses that an international financial transactionmayincurduetocurrencyfluctuations.
- Foreign exchange risk can also affect investors, who trade in international markets,andbusinessesengagedintheimport/exportofproductsorservicestomultiplecountries,orhaveborrowingsinforeigncurrencies.
- Three types of foreign exchange risk are transaction, translation, and economic risk.Foreignexchangeriskisamajorrisktoconsiderfor exporters/importers andbusinessesthattradeininternationalmarkets.

The objectiveof the riskmanagementpolicy is to minimizerisk arising fromadversecurrencymovementsbymanagingtheuncertaintyandvolatilityofforeignexchangefluctuationsbyhedgingtherisktoachievegreaterpredictability and stability. TheCompanyshall strive to cover foreseeable fluctuations with limited hedge cover so thatthemoderatearbitrageefficiencyis achievedagainstthe existingborrowingrates ofinterest.

Legal risk - Legal risks are those that arise due to possible litigations and penaltiesinvolving, deviations in quality standards and claims relating to infringement of intellectualproperty rights, non-compliance of the regulatory provisions. The Company will takeappropriatestepstocarryoutsuitableduediligence,including legalcompliance,withthesupport of suitable legal experts wherever necessary. Further, the Company will maintainthe highest standards of excellence in quality of service to stakeholders, with adequatesystemsandprocedurestoensurethecontinuityofthesame.TheCompanyalsohasa llthe rights necessary to use the intellectual property employed in our business andadequate measureswillbetakentoensurethatthereisnoinfringement ofanykind.TheCompanywillputinplaceadequatemeasurestowardsmanagementandmitigat ionofallsuchrisks,includingcompliancewithallapplicableregulatoryprovisions

Cyber-Securityrisk

- Cybersecurityriskisdeterminedbythe likelihoodofexposure,criticalasset orsensitiveinformationloss,orreputationalharmstemmingfrom a cyberattack orbreachwithinanorganization'snetwork.
- conductingrisk assessments that evaluate business priorities and identify gaps incybersecuritycontrols
- performingriskanalysisonexistingcontrolgaps
- prioritizingfuturecybersecurityinvestmentbasedonriskanalysis
- executing on those strategies by implementing a range of security controls and bestpractices
- measuringandscoringcybersecurityprogrammaturityalongtheway.

SustainabilityrelatedRisk

Sustainability riskisdefinedas theexposuretopracticesthatnegativelyimpacttheenvironment and the people involved in the supply chain. Climate change, water scarcity,disease, and poor labor conditions are some key factors that increase sustainability risk.ESG risks include thoserelatedto climate changeimpactsmitigationand adaptation,environmentalmanagementpractices and duty of care,workingand safety condition,respectforhumanrights,anti-briberyandcorruption practices, and compliance torelevantlawsandregulations.

(ii) <u>RiskAssessment</u>

Riskassessmentistheprocessofriskprioritizationorprofiling.Therisklikelihoodandimpactofriskeve ntstobeassessedforthepurposeofanalyzingthecriticality.

- RiskImpactMatrix—Itismeasuredintermsoffinancialand non-financialparameters.

- Risk likelihood Matrix — It is measured by probability of occurrence of risk events(number of past incidences in the industry, previous year audit observations, futuretrendsorresearchavailable)anditsimpact

(iii) RiskAnalysis

Risk analysis refers to the process followed to comprehend the nature of risk and determinethe level of risk. Risk analysis is intended to provide inputs for risk evaluation. Risk analysisshallbeperformedforeachriskidentified.Theonusofriskanalysisiswiththeriskidentifier,who may choose to consult with his functional head for this purpose. Based on the results oftheanalysis,appropriateactionshallbetaken(riskescalationandrisktreatment).

(iv) RiskEvaluation

Risk evaluation is the process to determine whether the risk and/ or its magnitude areacceptable or tolerable. Risk evaluation helps to ensure appropriate resource allocation forthe purpose of risk treatment and channelling of Management attention towards risks ofsignificantconcern.

(v) RiskTreatment

Risk treatment involves selecting one or more options for managing risks, and implementingsuchactionplans.Thisphaseofthisprocessisintendedto:

- Understandexistingcontrols/mitigationmechanismsinplaceformanagingrisks
- Generateanewrisktreatmentplan
- Assesstheeffectivenessofsuchtreatmentplans

Forthepurposeofrisktreatment,riskownersmayconsidervariousoptions(asindicated below)forrisktreatment:

- Avoidingtheriskbydecidingnottostartorcontinuewiththeactivitygivingrisetosuch risk.
- Takingorincreasingtheriskinordertopursueanopportunity
- Removingtherisksource
- Changingthelikelihoodorconsequencesofriskbyinstitutingnewcontrol/monitoringactivities
- Sharingtheriskwithanotherpartyorparties(eg.,insurance,backtobackwarranties etc.)
- Retainingtheriskbyinformeddecision
- Puttinginplaceamechanismtomonitortherisk

After determining the risk severity level, the Risk Owners will be required to indicate steps thattheywilltaketoeithercontainoreliminatetherisk,with orwithout,costimplications.

Onlysignificantrisks(orthosethatcouldbecomesignificant)needtobereported totheRiskManagement Committee by the Risk Owners in consultation with Finance Department.Significant risks include those risks that have a high likelihood or significant impact, i.e. havingriskexposureorwherethereislimitedabilityformitigationbytheCompany.

The Risk Owner at every location will be expected to re-evaluatethe risk profile of the locationon a continuous basis, after considering the recommendations of the Finance Departmentandthe Risk ManagementCommittee.

(vi) RiskMonitoring&ReviewMechanism

Risk monitoring shall be conducted by each functional unit on a monthly basis, for identifiedrisks,inordertotrackthestatusoftreatmentplansandconsequentlyupdatechangestoris kprofiles.

Risk reviews shall be conducted to enable continuity of the risk management process. Riskreviews entail the re- assessment of all risks recorded in each function level risk registersalong with new / emerging risks to ensure concurrence and relevance of risks and theirtreatment.Riskreviewswillbecarriedoutataminimumonahalfyearlybasis.

(vii) RiskReporting

The Risk Owner of every location will report to the Finance Department on a monthly basisabouttheidentifiedrisks.TheFinancedepartmentwillreporttheoverallCompanystatusandpr oposed actionstotheRiskManagementCommitteeonayearlybasis.

TheBoardofDirectorsoftheCompanyshallperiodicallyreviewthefindingsandrecommendationso ftheRiskManagementCommitteeeverysixmonths.

9) BusinessContinuityPlan

Business continuity plan refers to maintaining business functions or quickly resuming them in theevent of a major disruption,whether caused by a fire, flood, pandemic or any other naturalcalamity. A business continuity plan outlines procedures and instructions an organization mustfollow in the face of such disasters; it covers business processes, assets, human resources,businesspartnersandmore.

The Company shall have well documented business continuity plan for any contingent situationcovering all perceivable circumstances. The Business continuity plan may be reviewed andamendedbythe Risk ManagementCommittee.

10) Disclosures

Board of Directors shall include a statement indicating development and implementation of a riskmanagement policy for the Company including identification therein of elements of risk, if any,whichintheopinionoftheBoardmaythreatentheexistenceoftheCompanyinitsBoardReport.

11) <u>Amendments</u>

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions here under and this Policy shall stand amended accordingly.

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